

Integrated Waste Management Fund

M I S S I O N

T*o provide solid waste disposal and recycling services, collection of fees for those services, and City efforts to encourage reduction, reuse, and recycling of solid waste. Services provided through this fund are:*

- *Garbage collection, recycling services, public outreach, and administration;*
- *Management of the city-wide disposal contract (IDC);*
- *Customer billing and customer service*

Integrated Waste Management Fund

Budget Summary

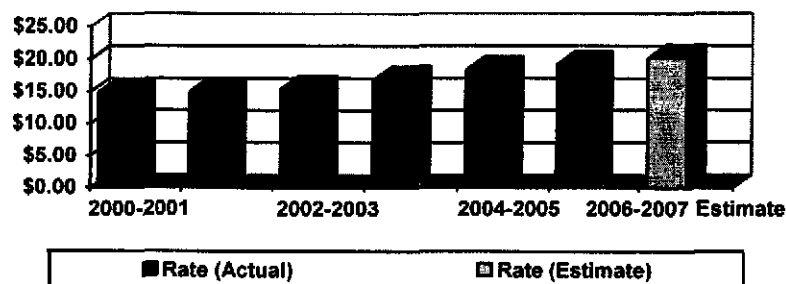
	2005-2006 Adopted	2006-2007 Adopted	Change
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 66,500,239	\$ 72,857,146	9.6%
Accounting and Lien Collection	\$ 1,552,374	\$ 1,992,813	28.4%
City-Wide Disposal Contract Mgmt.	\$ 9,242,123	\$ 9,975,811	7.9%

Budget Highlights 2006-2007

- In 2006-2007, the main activities of this fund will include: providing 40 additional curb-miles of enforced sweeping; implementing the Consolidated Utility Billing System in collaboration with the Environmental Services, Finance and Information Technology Departments; and providing resources for oversight of the Commercial Franchise program.
- A continuing goal for this fund in 2006-2007 was to bring the single-family, multi-family garbage and recycling, and commercial programs to cost recovery. In order to accomplish this, a rate increase of 5% for single family and a rate increase of 3% for multi-family were approved. An increase of \$0.39 for the Commercial Solid Waste AB939 fee was also approved to offset the cost of several additions and to bring the commercial and civic programs toward cost recovery.

Budget Byte

San José Garbage & Recycling
Single-Family Residential Rates



San José Garbage & Recycling
Single-Family Residential Rates

	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007
Rate	<u>Actual</u> \$14.95	<u>Actual</u> \$14.95	<u>Actual</u> \$15.40	<u>Actual</u> \$16.80	<u>Actual*</u> \$18.30	<u>Actual**</u> \$19.20	<u>Est***</u> \$20.15

* Effective August 1, 2004

** Effective April 1, 2006

***Effective August 1, 2006

Integrated Waste Management Fund

Fund Overview

The Integrated Waste Management (IWM) Fund supports residential, commercial and civic solid waste activities, including various contracts for collection, processing and disposal. In order to ensure adequate funding for these activities, a revision to the Multi-Year Rate Strategy previously presented to the City Council as part of the 2004-2005 budget process will need to be considered after next year. In particular, sharp increases in fuel costs coupled with rising landfill disposal and regulatory costs and anticipated new contracts, may necessitate higher than previously anticipated rate increases in order to maintain cost recovery and adequate reserve levels. For 2006-2007, however, the second year of a conceptually approved three year series of rate increases, the increases of 5% for single-family dwellings and 3% for multi-family dwellings were approved.

San José's monthly service rates currently rank below the Santa Clara County average. The approved single-family dwelling (SFD) increase of approximately 5% amounts to an additional \$0.95 per month for the standard 32-gallon garbage cart, and will increase the rate from \$19.20 to \$20.15. Even with this increase, San José rates will remain below the countywide average of \$20.74 per month based on a survey of Santa Clara County cities taken in August 2005. Similarly, with the approved 3% increase in multi-family dwelling (MFD) rates, the approved rate for a 3-cubic yard bin serviced once per week (one of the most common multi-family service levels) will be \$158.29, far lower than the countywide average of \$224.27 per month, based on a July 2005 survey prepared by the City of Santa Clara.

A major consideration for coming year rate requirements will be the results of the Recycle Plus Request for Proposals (RFP) and the budgetary impacts of the new contract(s) in

2007-2008. In May 2005, Proposition 218 Public Notices were mailed to SFD and MFD residential property owners advising them of potential rate increases of up to 5% in 2005-2006. Additionally, owners were advised of potential SFD and MFD rate increases of up to 5% in 2006-2007 and 2007-2008. It is possible that re-noticing for 2007-2008 will be necessary after the RFP process is completed, if it is determined that rate increases greater than 5% will be required to maintain cost recovery and adequate reserve levels.

A variety of additions were approved in the 2006-2007 Adopted Budget to enhance program efficiencies and service levels. Approved additions in the Environmental Services Department include staffing support and outreach materials for the Recycle Plus program during transition to a new service provider on July 1, 2007 (\$162,000); and consultant services to determine the composition of material collected in the Recycle Plus program (\$300,000).

In addition, a funding increase of \$240,000 was approved in the Department of Transportation to continue the expansion of parking prohibition signage on street sweeping days and raise the level of cleanliness of City streets. The expansion will enable the Department of Transportation to identify and install 40 additional curb miles of signage.

A total increase of \$0.39 to the Commercial Solid Waste AB939 fee was approved, which will increase the fee from \$0.50 to \$0.89 per cubic yard. The fee increase will fund the following additions: consultant services to begin work organizing the redesign of the commercial solid waste franchise system, including the consolidation of downtown garbage/recycling and cleaning services

Integrated Waste Management Fund

Fund Overview (Cont'd.)

provided by other City department and agencies into an exclusive downtown district (Clean & Green Downtown) (\$200,000); the addition of a position to promote and maintain the Go Green Initiative in San José schools (\$188,187); the addition of one position for the Construction and Demolition Diversion Deposit (CDDD) Program Administration (\$100,028); and the addition of two positions for contract compliance and program oversight in the Integrated Waste Management Division (\$205,474). In addition, the increase will generate an estimated \$513,300 in additional revenue to bring the commercial and civic programs closer to cost recovery.

the integrated Consolidated Utility Billing System (C-UBS) that will replace the current billing system, provide more accurate and timely reporting, enable staff efficiencies, and improve response time to customer inquiries. The C-UBS system will also address the increased contract performance monitoring needs that are part of the new Recycle Plus contracts. The new system will allow the City and contractors to more closely track performance and also to share customer service information in real time, leading to more consistent information and improved service. Additional one-time funding of \$253,000 was approved for staffing support during the post "go-live" implementation and stabilization period.

Continuing in 2006-2007 will be the implementation and stabilization of Phase I of

Fund Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Adopted 3	% Change (2 to 3)
Dollars by Sources				
Beginning Fund Balance	\$ 14,886,776	\$ 14,884,536	\$ 13,606,410	(8.6%)
Operating Revenues	75,197,729	75,900,907	81,267,662	7.1%
Interest and Other Revenues	750,308	517,625	503,160	(2.8%)
Total	\$ 90,834,813	\$ 91,303,068	\$ 95,377,232	4.5%
Dollars by Uses				
Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 69,171,037	\$ 66,500,239	\$ 72,857,146	9.6%
Accounting and Lien Collection	1,146,022	1,552,374	1,992,813	28.4%
City-Wide Disposal Contract Management	6,669,322	9,242,123	9,975,811	7.9%
Ending Fund Balance	13,848,432	14,008,332	10,551,462	(24.7%)
Total	\$ 90,834,813	\$ 91,303,068	\$ 95,377,232	4.5%

Integrated Waste Management Fund

Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Overview

This category provides overall direction to ensure achievement of City objectives related to the reduction of solid waste and waste management. The Garbage and Recycling Services unit oversees and manages the garbage and recyclables collection contracts and customer service for San José residents and franchises for businesses. This unit also designs, evaluates, and implements programs to reduce waste generated by the City; provides policy and technical analysis;

promotes programs for market development; and ensures compliance with environmental laws and permits. The Public Outreach Services unit designs, implements, and evaluates major public education outreach and marketing initiatives in support of recycling, composting, and waste reduction objectives. Administrative Services includes support services provided by various City departments, overhead to the General Fund, as well as Workers' Compensation Claims costs.

Budget Category Summary

Garbage and Recycling Services, Public Outreach, and Administrative Services	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Adopted 3	% Change (2 to 3)
Garbage and Recycling Services	\$ 61,848,239	\$ 62,931,861	\$ 68,966,192	9.6%
Public Outreach	362,354	577,788	577,788	0.0%
Administrative Services	6,960,444	2,990,590	3,313,166	10.8%
Total	\$ 69,171,037	\$ 66,500,239	\$ 72,857,146	9.6%

Recycle Plus contract costs will increase by an average of 6.5% in 2006-2007 due to contractual provisions for annual adjustments based on changes in indices published by the Bureau of Labor Statistics. The primary driver for this increase has been an increase in the index for fuel.

In the 4th year of a five-year plan to address street sweeping in areas heavily impacted by parked vehicles, an additional 40 miles of parking prohibition signage was approved to be installed.

Integrated Waste Management Fund

Budget Category: Garbage and Recycling Services, Public Outreach, and Administrative Services

Budget Category Summary (Cont'd.)

The following changes were approved in 2006-2007 in the Garbage and Recycling Services, Public Outreach, and Administrative Services allocations:

Adopted Allocation	2005-2006 Adopted	Change	2006-2007 Adopted
Garbage and Recycling Services	\$ 62,931,861	\$ 6,034,331	\$ 68,966,192

The changes in the 2006-2007 Adopted Budget for this category are the result of cost-of-living adjustments to garbage and recycling contracts (\$3,409,159), commercial paper payment for the Consolidated Utility Billing System (\$689,939) and increases for bill printing (\$59,500). In addition, the following additions were approved for the Environmental Services Department: funding for a Material Characterization Study (\$300,000); contractual services for Clean and Green Downtown/Commercial Franchise System Redesign (\$200,000); two Associate Environmental Services Specialists for contract compliance and program oversight in the Integrated Waste Management Division (\$176,338); staffing support during implementation and stabilization of the Consolidated Utility Billing System (\$173,812); staffing support to the Recycle Plus Program during transition to a new service provider (\$162,000); an Environmental Services Specialist for the Construction and Demolition Diversion Program Administration (\$96,111); an Associate Environmental Services Specialist for the "Go Green" Program for Schools (\$88,169); non-personal/equipment costs associated with these approved positions (\$145,300); and the rebudgets for Consolidated Utility Billing System (\$339,990) and non-personal/equipment (\$183,577). Approved additions for the Department of Transportation are: the expansion of street sweeping enforcement signage (\$120,000), and vehicle maintenance and operation (\$5,000). Also included are salary and benefit increases in the Environmental Services, Transportation, and Planning, Building and Code Enforcement Departments (\$688,191) and Non-personal/Equipment increases (\$2,866). These increases are partially offset by the elimination of one-time funding in the Department of Transportation for the expansion of street sweeping enforcement (\$117,340); and in the Environmental Services Department, the elimination of one-time rebudgets of Household Hazardous Waste and SB332 funds (\$456,500), personal services, non-personal/equipment funding shifts (\$215,549), and base adjustments (\$16,232).

Public Outreach	577,788	0	577,788
------------------------	----------------	----------	----------------

There was no change in the 2006-2007 Adopted Budget for Public Outreach.

Administrative Services	2,990,590	322,576	3,313,166
--------------------------------	------------------	----------------	------------------

Approved changes in the Administrative Services category reflect the elimination in General Services lease costs (\$289,578) and the reallocation of Operating Contingency to fund balance (\$100,000). This decrease was offset by increases for occupancy costs (\$321,577), overhead (\$258,577), Oracle/PeopleSoft licensing costs (\$124,943) in the IT Department related to the CUSP project, workers' compensation claims payments (\$5,200), and salary and benefit changes in the City Manager's Office and Information Technology Department (\$1,857).

Total Garbage and Recycling Services, Public Outreach, and Administrative Services	\$ 66,500,239	\$ 6,356,907	\$ 72,857,146
---	----------------------	---------------------	----------------------

Integrated Waste Management Fund

Budget Category: Accounting and Lien Collection

Budget Category Overview

This category provides accounting and delinquency collection services for the residential Recycle Plus program, including the Garbage Lien unit. Program staff performs revenue, expenditure, and accounts receivable reconciliation.

Budget Category Summary

Accounting and Lien Collection	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Adopted 3	% Change (2 to 3)
Accounting and Lien Collection	\$ 1,146,022	\$ 1,552,374	\$ 1,992,813	28.4%
Total	\$ 1,146,022	\$ 1,552,374	\$ 1,992,813	28.4%

The following changes were approved in 2006-2007 in the Accounting and Lien Collection allocation:

Adopted Allocation	2005-2006 Adopted	Change	2006-2007 Adopted
Accounting and Lien Collection	\$ 1,552,374	\$ 440,439	\$ 1,992,813

The increase in Accounting and Lien Collection resulted from additional one-time staffing support during stabilization for the Consolidated Utility Billing System (\$197,587), projected salary and benefit cost increases (\$216,852), and non-personal/equipment increase (\$101,000) in the Finance Department. These costs were offset by a base budget reduction in the Finance Department non-personal/equipment (\$75,000).

Total Accounting and Lien Collection	\$ 1,552,374	\$ 440,439	\$ 1,992,813
---	---------------------	-------------------	---------------------

Integrated Waste Management Fund

Budget Category: City-Wide Disposal Contract Management

Budget Category Overview

This program manages the City-Wide Disposal Agreement and pays the costs of the disposal of residential waste delivered to the Newby Island Landfill.

Budget Category Summary

City-Wide Disposal Contract Management	2004-2005 Actual 1	2005-2006 Adopted 2	2006-2007 Adopted 3	% Change (2 to 3)
City-Wide Disposal Contract Management	\$ 6,669,322	\$ 9,242,123	\$ 9,975,811	7.9%
Total	\$ 6,669,322	\$ 9,242,123	\$ 9,975,811	7.9%

San José entered into a 30-year agreement with IDC (International Disposal Corporation of California, Inc.) in 1985 for City waste disposal services. The City successfully renegotiated changes to the agreement in 1995 in order to maximize the value of the agreement while minimizing the cost and risk to the City. The term was extended through 2020, with additional years if the site is still open. The residential disposal costs paid for from the IWM Fund are to dispose of the waste that is collected by the City's Recycle Plus contractors from single-family dwellings and multi-family dwellings. Disposal of waste generated at City facilities or by City programs, is paid from the General Fund at a lower rate.

The City's payments for residential waste delivered to the Newby Island Landfill consist of the following: an annually adjusted base rate for actual amounts of residential waste delivered to the landfill; fees and taxes that IDC must pay back to the City; State and County surcharges; and regulatory rate payments for costs resulting from changes to laws and regulations made after June 6, 1985. The City and IDC also agreed to provide for an additional extension of this agreement should the life of the landfill extend beyond December 31, 2020.

Integrated Waste Management Fund

Budget Category: City-Wide Disposal Contract Management

Budget Category Overview (Cont'd.)

The following change was approved in 2006-2007 in the City-Wide Disposal Contract Management allocation:

Adopted Allocation	2005-2006 Adopted	Change	2006-2007 Adopted
City-Wide Disposal Contract Management	\$ 9,242,123	\$ 733,688	\$ 9,975,811

This increase was a result of anticipated regulatory costs claimed by the landfill per the City's contractual agreement and increases in contractor payment for annual contract adjustments based on changes in indices published by the Bureau of Labor Statistics.

Total City-Wide Disposal Contract Management	\$ 9,242,123	\$ 733,688	\$ 9,975,811
---	---------------------	-------------------	---------------------